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MARKETING & MEDIA
DECISIONS

WHO GETS THE AD DOLLARS?

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PLUS: ROUNDTABLE, BARTER SYNDICATION

Buyers and sellers face off and face facts about barter's present and future

MARKETING & MEDIA
DECISIONS

COVER STORY

WHO GETS THE AD DOLLARS? 29

Our "Industry Outlooks" find 1990 will be a year of flat ad budgets for many categories as they struggle with harsh business conditions. But expect aggressive spending increases from automotive and cosmetics and media plans to be reassessed by all in search of added impact.

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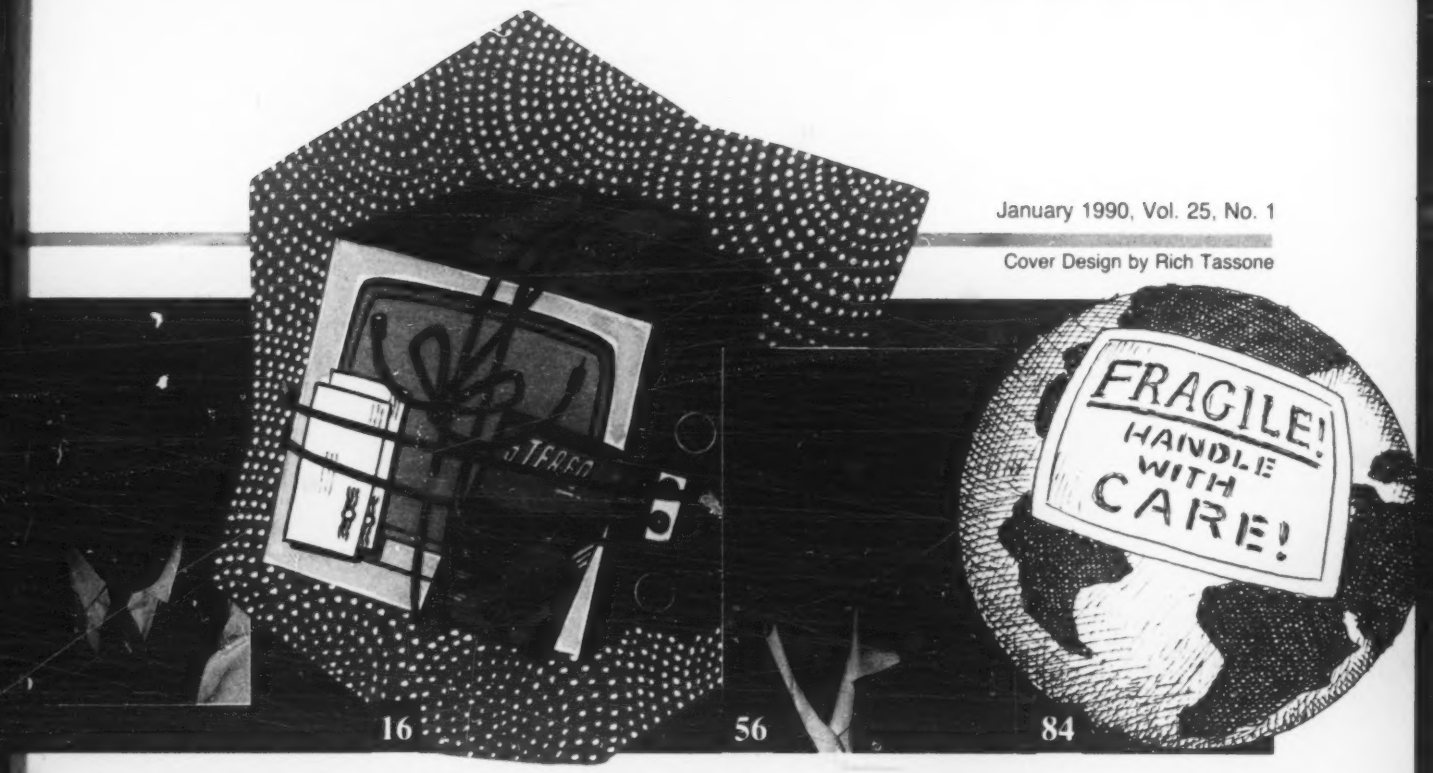

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INDUSTRY 1990 OUTLOOKS

What kind of year will it be for the ad community? Caution is the byword as major marketers slow their pace. That's what our Outlook series on major ad spending categories indicates. Price pressure continues to frustrate ad growth, though several categories have segments with more bullish advertising plans. In most cases, new-product introductions will be minimal, thus further cooling the ad projections. But as consolidations settle out and ad-savvy marketers enter new businesses, there are signs that caution may give way to offensive moves as we enter the new decade.

The following pages give an encapsulated view of the budgets and media plans for our categories as assessed by analysts, economists, consultants and marketers.

On another front, *Marketing & Media Decisions* and Myers Marketing & Research have joined forces to launch the "Marketing & Media Influencers" report. This is a comprehensive, three-year project designed to provide a measure of the attitudes and opinions that shape the advertising and marketing decision-making process. The study will be focused at the hands-on level: product brand managers, corporate marketing directors and media planners at major agencies. In that regard, many of you will be contacted to participate.

The goal is to imp ove the working relationship between advertisers and their agencies' media departments by comparing the values they assign to a wide range of media options. The results will also help the media to position themselves to better serve their customers. We urge your participation and look forward to working with you.

Happy New Year.

THE BIGGEST SPENDERS

LNA/ARBITRON MULTI-MEDIA SERVICE
RANKING REPORT/PARENT COMPANIES RANKED ON: 1988/1989 9-MEDIA TOTAL
JULY–JUNE 1988/1989

Rank	Parent Company	9-Media Total $(000)	Magazines $(000)	Sunday Magazines $(000)	Newspapers $(000)	Outdoor $(000)	Network Television $(000)	Spot Television $(000)	Syndicated Television $(000)	Cable TV Networks $(000)	Network Radio $(000)
ALCOHOLIC BEVERAGES	Total	1,090,653.5	226,393.1	12,027.3	30,085.8	57,558.6	431,421.3	252,418.2	31,723.4	37,369.8	11,656.0
1	Anheuser-Busch Cos. Inc.	332,631.9	8,421.5	1,002.4	8,023.7	4,403.3	193,765.3	73,483.0	9,514.0	23,420.5	10,598.2
2	Philip Morris Companies Inc.	164,487.3	3,510.5	129.6	5,880.5	4,302.2	112,980.2	31,105.9	1,087.4	5,078.8	412.2
3	Coors Adolph Co.	108,488.5	2,944.9	283.5	1,631.5	3,483.1	35,770.3	52,173.0	8,304.0	3,898.2	--
4	Grand Metropolitan PLC	69,042.6	52,098.1	2,153.8	900.9	6,048.0	--	7,307.4	--	534.4	--
5	Seagram Co. Ltd.	59,664.4	28,329.0	665.1	2,756.5	9,635.5	16,660.4	349.5	1,256.1	12.3	--
APPAREL	Total*	756,139.4	374,569.3	30,352.7	10,907.4	6,825.8	211,226.3	79,026.1	11,743.9	28,681.4	2,806.5
1	Sara Lee Corp.	110,669.9	34,610.6	5,036.3	209.1	19.1	62,584.5	4,323.8	1,651.2	1,773.3	462.0
2	Levi Strauss Associates Inc.	52,455.3	4,443.7	421.3	--	68.2	28,091.2	6,377.0	4,537.7	8,181.8	334.4
3	Farley Industries	26,435.9	7,863.1	302.9	--	68.6	15,890.4	2,845.3	542.6	923.0	--
4	VF Corp.	18,825.5	5,960.5	148.9	47.6	141.8	8,141.7	1,439.5	--	2,945.5	--
5	Wickes Cos. Inc.	17,887.9	2,077.6	--	31.3	7.3	12,201.3	2,852.5	362.8	355.1	--
AUTOMOBILES	Total	2,470,294.1	626,851.0	23,332.4	136,486.4	6,697.4	1,082,387.4	464,361.3	28,722.3	46,586.6	54,869.3
1	General Motors Corp.	731,525.9	144,977.8	11,812.1	47,524.8	1,884.4	422,367.2	55,645.4	7,941.4	9,729.1	29,643.7
2	Ford Motor Co.	323,149.7	99,809.6	606.3	11,434.6	2,563.3	141,894.6	51,355.5	4,050.4	5,470.0	5,965.4
3	Chrysler Corp.	247,564.3	85,545.1	6,841.3	6,578.4	626.2	95,980.4	35,614.6	608.1	7,032.7	8,737.5
4	Honda Motor Co. Ltd.	156,514.0	47,760.3	842.7	2,579.5	82.4	80,234.5	20,180.6	--	4,200.5	633.5
5	Nissan Motor Co. Ltd.	150,113.1	18,458.1	101.6	5,045.4	624.9	40,827.1	81,582.9	2,397.5	1,075.6	--
CIGARETTES	Total**	688,610.3	395,956.3	47,652.3	47,157.5	197,816.2	--	26.7	--	1.3	--
1	Philip Morris Companies Inc.	300,837.0	199,270.3	7,892.3	24,930.6	68,742.5	--	--	--	1.3	--
2	RJR Nabisco Inc.	187,129.9	118,927.5	4,886.7	10,240.3	53,075.4	--	--	--	--	--
3	BAT Industries PLC	75,166.6	33,649.2	5,231.7	5,297.0	30,988.7	--	--	--	--	--
4	Loews Corp.	67,169.2	15,637.0	15,333.3	1,582.5	34,616.4	--	--	--	--	--
5	American Brands Inc.	53,011.4	25,421.1	14,308.3	3,998.1	9,283.9	--	--	--	--	--

Rank	Parent Company	9-Media Total $(000)	Magazines $(000)	Sunday Magazines $(000)	Newspapers $(000)	Outdoor $(000)	Network Television $(000)	Spot Television $(000)	Syndicated Television $(000)	Cable TV Networks $(000)	Network Radio $(000)
COMPUTERS & OFFICE EQUIPMENT	Total	588,615.0	263,646.8	8,261.3	61,788.0	2,321.9	187,913.3	30,862.8	2,640.8	14,933.3	16,246.8
1	International Business Machines Corp.	103,710.1	29,685.0	1,343.0	13,220.9	20.9	52,412.1	1,724.3	12.0	571.4	4,720.5
2	Apple Computer Inc.	34,188.3	6,315.5	18.2	4,400.6	--	19,924.9	1,793.0	210.5	1,525.6	--
3	Canon Inc.	33,561.2	19,450.8	359.8	1,117.7	31.8	8,107.4	3,308.6	--	1,185.1	--
4	Xerox Corp.	24,243.0	6,245.8	25.3	2,644.0	54.1	14,970.6	15.2	66.2	221.8	--
5	Tandy Corp.	23,835.6	6,084.2	95.4	--	130.0	17,038.4	0.3	--	487.3	--
COSMETICS	Total	677,897.5	302,986.0	17,262.6	1,076.2	502.9	196,531.5	96,639.7	39,716.3	14,905.2	8,277.1
1	Unilever NV	78,163.7	18,576.0	--	239.0	--	41,444.3	3,263.1	11,599.3	2,304.4	737.6
2	Revlon Group Inc.	65,579.9	37,807.4	6,623.1	86.0	23.9	14,618.6	3,697.9	1,342.5	1,148.1	232.4
3	Noxell Corp.	64,685.8	18,295.8	--	--	--	41,081.6	312.9	4,226.5	769.0	--
4	Estee Lauder Inc.	49,827.5	22,794.9	3,000.7	--	10.4	--	24,021.5	--	--	--
5	Nestle SA	49,113.1	25,535.4	1,569.0	--	3.0	10,456.9	11,342.3	199.0	7.5	--
DRUGS	Total	1,147,835.3	89,152.9	7,140.5	9,545.8	745.1	686,611.4	150,413.2	91,994.8	53,647.1	58,584.5
1	Johnson & Johnson	136,980.9	12,392.7	1,144.4	0.6	81.9	103,882.1	7,771.1	7,112.1	4,596.0	--
2	American Home Products Corp.	128,876.9	6,204.2	77.5	150.5	--	104,434.9	8,874.3	1,906.7	4,737.7	2,491.1
3	Procter & Gamble Co.	110,939.9	10,271.1	530.0	835.2	39.5	46,124.4	19,797.4	15,207.9	7,374.4	10,760.0
4	Bristol-Myers Co.	78,661.4	2,478.8	37.4	--	--	51,736.8	3,717.2	12,737.4	4,200.3	3,753.5
5	Warner-Lambert Co.	76,292.6	2,899.0	411.7	134.1	441.0	43,074.0	14,584.8	7,079.8	1,073.3	6,594.9
FINANCIAL SERVICES	Total	1,013,547.7	124,723.2	5,238.7	534,467.9	33,497.6	107,645.9	186,138.3	2,112.3	15,716.4	4,007.4
1	Citicorp	58,125.4	9,805.8	13.6	16,277.8	57.4	25,058.7	5,129.2	23.1	1,759.8	--
2	Merrill Lynch & Co. Inc.	27,323.4	5,508.1	483.4	4,993.1	60.7	15,510.4	30.6	--	737.1	--
3	American Express Co.	19,445.6	2,813.6	478.6	4,210.4	8.1	10,714.0	421.3	--	799.6	--
4	BankAmerica Corp.	18,664.2	1,126.7	3.6	9,178.6	3,038.6	--	5,316.7	--	--	--
5	Ahmanson HF & Co.	18,433.2	--	26.9	7,425.0	90.5	--	10,890.8	--	--	--
PREPARED FOODS	Total	1,236,087.4	93,383.3	3,581.1	13,399.1	1,507.0	680,477.8	307,102.6	80,587.8	36,601.4	19,447.3
1	Kellogg Co.	367,797.2	6,570.6	100.5	394.7	--	305,128.1	31,516.1	21,026.3	3,060.9	--
2	General Mills Inc.	221,286.7	7,952.6	--	118.2	5.0	85,937.6	108,257.7	2,144.9	14,892.4	1,978.3
3	Philip Morris Companies Inc.	152,377.0	10,582.6	421.6	304.5	56.7	75,394.3	37,290.3	22,912.2	5,414.8	--
4	Quaker Oats Co.	75,408.2	8,343.5	597.6	263.3	14.8	47,386.3	7,905.8	9,394.6	1,502.3	--
5	Campbell Soup Co.	69,432.7	6,908.7	41.0	1,927.4	1,125.2	34,825.6	8,604.7	4,550.0	2,202.7	9,247.4
TRAVEL	Total	1,905,158.9	338,425.7	38,577.8	936,509.6	53,019.5	178,614.1	288,736.2	3,967.2	27,465.5	39,843.3
1	Texas Air Corp.	105,029.4	3,094.4	843.4	86,630.2	1,329.0	1,921.6	10,917.5	--	293.3	--
2	AMR Corp.	82,566.9	10,698.2	719.1	40,151.1	303.0	11,236.9	18,529.0	10.0	436.0	483.6
3	UAL Corp.	79,724.0	7,793.0	281.5	11,955.4	436.7	42,483.0	11,744.8	--	1,897.5	3,132.1
4	Delta Air Lines Inc.	63,919.8	1,941.1	11.1	24,696.2	1,482.4	29,234.6	4,645.1	126.6	1,782.7	--
5	Holiday Corp.	45,949.3	3,310.8	172.4	14,595.9	4,496.6	16,112.8	5,070.5	--	2,190.3	--

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**Note: Less Procter & Gamble and Kimberly-Clark disposable diapers.*
***Note: Includes tobacco products and accessories.*

ALCOHOLIC BEVERAGES

INDUSTRY 1990 OUTLOOKS

by Anitra Brown

Battered by the anti-alcohol movement and the public's growing perception that alcohol is a drug, there's little to cheer about in the wine, spirits and beer industries. Warning labels are now in effect, but more threatening are the volume losses that run almost across the board.

There are a few bright spots. Absolut vodka has rocketed onto the top-ten spirits list, teaching the competitors a marketing lesson or two. Varietal wines, particularly chardonnay and white zinfandel, are growing. And Gallo is doing well with its heavily advertised white grenache. But the gigantic beer market, which has fared better than wine or spirits, is losing its fizz. Steamroller Anheuser-Busch is discovering the upper limits of its growth, while niche success Corona has taken a nosedive. Also in trouble are whiskies, especially those without ad support, and any producer of generic wines (chablis and burgundy) besides Gallo.

Beer and wine will spend in moderation this year, but the sagging spirits will follow the leaders and up their ads.

Meanwhile, major industry headaches are looming. Alcohol is a likely target for higher excise taxes in 1990. And there are growing concerns about restrictions on advertising, including limits on beer sponsorship of the NCAA basketball games on CBS. But, short term, the gulf between talk and action remains wide.

Each segment of the industry is responding differently to this harsher marketing environment, but overall ad spending is trending down. LNA reports that for the 12-month period ended June 30, 1989, alcoholic beverage spending was $1.09 billion compared with $1.17 billion for the same period ended June '88, a 7% cut totaling $82 million.

Beer accounts for nearly 70% of alcoholic beverage spending, double its share in 1975. But the ballooning budgets of the '80s appear to have peaked at $900 million in 1988. Mega-budgets are being pared as the industry consolidates, volume begins to slip and price becomes a key weapon in maintaining consumer loyalty.

Big spender Anheuser-Busch has a comfortable enough spending lead — more than two-to-one over its nearest competitor — to narrowly shave its $330 million ad budget. Network television is the preferred medium for the industry, with 44% of spending, and sporting events remain the perfect way to reach beer's male audience. Spot television's 26% share should increase slightly in 1990, as others emulate Miller Lite's successful regional promotion in Texas. Number-three Coors is trying to acquire Stroh so it can reach the scale necessary to compete nationally with A-B and Miller. But for now, the case is tied up in anti-trust courts.

Distilled spirits have been the hardest hit of alcoholic beverages, dropping 30 million cases, or 17% of its volume, in the 80s. Budget cuts have been even more severe, with media spending going from $348 million in 1980 to $240 million in 1988. But after a decade-long pattern of spending cuts, expect a more aggressive stance from the survivors. Total spirits spending will probably run 10%-15% higher in 1989.

The reason? Stunned by the success Absolut had with its super-hip campaign, spirits marketers retrenched and reevaluated their stodgy creative. Now they have come up with better campaigns, raised their prices and are investing to be one of the players in a shrinking market. Most of the spending will be in magazines.

Wine consumption continues its downward spiral, and spending follows. Excluding coolers, total spending is less than half its peak of $190 million in 1982, and there will be further cuts in 1990. Once-mighty brands like Riunite, Paul Masson and Taylor California Cellars have fallen fast and hard, leaving little money for promotion.

Gallo, which has fared better and cut the budgets less deeply than its competitors, is the major factor in wine advertising. It has an available budget of about $55 million (including coolers), which is shifting into varietal and cork finished wines. Broadcast remains Gallo's favorite medium, but magazines and spot radio will benefit from the surge in smaller volume varietal wines.

The big cuts on coolers came in 1989, with Seagram and Gallo emerging as the only viable survivors in a badly slumping category. Total expenditures, which peaked at $150 million in 1986, ran about $20-$25 million in 1989. Further cuts from the two survivors are unlikely. Having invested heavily to attain this position, neither will cede the market. ■

APPAREL

INDUSTRY 1990 OUTLOOKS

Sales growth in the $157 billion apparel market should continue to be a sluggish 5% this year, barely outpacing inflation. Ad expenditures of $756 million are expected to be up a slight 3% as money is directed instead to promotions and special events to woo shoppers into stores.

Retailers and apparel manufacturers are strained as the baby-boom generation grows up and becomes more conservative about spending on the latest fashions. Additionally, the mall-construction boom has produced a glut of clothing stores.

There's more trouble

But the news is decidedly better for the industry than in 1987 and 1988, when consumer apparel purchases showed little or no growth. American women mostly shunned the mini-skirt and held off buying until more classic designs emerged last year. As many began to fill up their closets again, purchases grew by 9% in the first half of 1989. The women's segment, which represents 58% of sales, increased by 11%, led by strong gains for casual sportswear, party clothes and Barbara Bush pearls. For men's clothing, which represents about one-third of the total market, dollars sales were up 6%-8% for the first half of 1989, but unit sales dropped slightly due to resistance to high prices.

ahead for the general

merchants, and ad efforts

by specialized outlets

Signs of health at the beginning of 1989 weren't expected to last throughout the year, however. A disturbing trend is that people are buying later and at higher discounts. "The magical word used to be 30% and 40% off," says Alan Millstein, editor of the *Fashion Network Report*. "Now it's 50% off."

won't offset the flat

ad dollars.

Many large department stores have little choice but to mark down prices. Several companies that snapped up retail chains are so weighted down with debt that they feel forced to start slashing prices at Christmas to increase sales. The fourth quarter is crucial to retailers, representing 70% of profits and 60% of sales.

by Rebecca Fannin

As a result of this pinch, stores are cutting fashion-image advertising. They are running sales ads instead in newspapers and city magazines, a medium that upper middle-income department stores increasingly favor. Television remains far too expensive for most except large national chains.

There is no end to the proliferation of catalogs, however. Sales for this $9 billion segment should be up by 10% to 12% in 1990, with prestige mail-order houses leading the way.

On the retail front, consultant Carl Steidtman of Management Horizons foresees hyper-specialized stores that only offer selective merchandise such as socks, polka-dot shirts or hats. Powerful niche players like the Limited and the Gap are also maintaining growth rates of 10%, he says. The Limited has begun its first national advertising campaign, worth $10 million, in fashionable magazines like *Vogue* and *Vanity Fair*.

The era of the general merchant seems doomed, meanwhile. At troubled Sears, everyday low pricing has meant fewer promotional dollars, but a need to advertise the program. Sears was locked into newspapers through the end of 1989 and is planning to launch a major television and radio campaign this year and cancel advertising in smaller newspaper markets.

Big department stores continue to have financial problems and look to promotions to sustain cash flow. Strapped financially, stores such as Bloomingdale's are cutting ad expenses by as much as 8%. Expect more stores to follow B. Altman's and Miller & Rhoads into bankruptcy proceedings this year, consultants warn. To hang on, consultants are predicting that mass merchants will begin selling space in their stores to manufacturers, in effect turning the stores into "mini-malls."

Meanwhile, discount outlets are turning in record performances. Wal-Mart's sales were projected to be up by 20% in 1989, and Target Stores are also strong, with a 7% gain expected.

In addition, heavy competition in the athletic shoe market is driving ad spending growth. Reebok, Nike and LA Gear rank among the top nine ad spenders in the apparel industry, with Reebok leading at $42 million, followed closely by Nike with $41 million. The two top contenders split dollars between television and magazines, while LA Gear, which is playing a fast catch-up, has directed most of its $15 million budget to spot television. Look for increased spending for the trio as this market continues to grow at a 8% pace. ■

AUTOMOBILES

INDUSTRY OUTLOOKS

As auto sales sputter and competition heats up, many makers are shifting gears in spending and overall strategy.

by Sandra Salmans

The U.S. automotive industry, having just careened through one difficult year, is almost certainly heading into another. With domestic capacity far outpacing sales and made-in-the-U.S.A. "transplants" replacing imports from Japan, competition is expected to be fierce and profits thin. "Nobody's making good bucks in today's market," says Tom Healy, director of media and advertising services at J.D. Powers and Associates, the California-based automotive-market research company.

Healy estimates that the industry sold 9.9 million cars in 1989 — down from 10.5 million in 1988 — and that sales will dip again in 1990, to 9.8 million. In 1991, J.D. Powers forecasts sales will rise to 10.1 million, but they won't approach 1986 levels — 11.4 million — until 1994.

The segments expected to enjoy the fastest growth during that period include luxury cars, sporty and sport utility cars and minivans. "It reflects the polarization of wealth in this country," notes Healy.

As usual, manufacturers are hoping that advertising — including incentive ads — will help put on the gas. In July 1988-June 1989, they spent a tad under $3 billion to promote their cars and light trucks (excluding dealer-association dollars), according to LNA. But their tactics and strategies differ widely.

Receiving most of the attention is General Motors, the category's biggest advertiser, which is not afraid to remind the media of its clout. The carmaker is demanding exclusivity from local tv stations, for example, and is reportedly holding publishers' feet to fire to receive discounts far above those on the rate cards. GM is also trying some innovative placements. Its Chevrolet division is one of five national advertisers sponsoring vignettes on NBC daytime.

While some other companies, notably the importers, are raising their budgets substantially, in Detroit the refrain is more bang for the same bucks. "My mission is to make every dollar look like five," says John Kramer, national advertising manager for Plymouth. Chrysler executives have a mandate to achieve $1 billion in cuts, across-the-board, by the end of the year.

Ford's advertising budget may not even keep pace with inflation, says Paul Hunt, vice president and media director on the Ford car and truck account at J. Walter Thompson. Hunt adds that there will also be little change in the media mix, but the continued need for incentive advertising will "be good news for newspapers."

Overall, the industry's traditional media mix — 70% television and 30% print, with very little outdoor — may change slightly to reflect large swings by other manufacturers. Plymouth, whose mix has typically been 60% tv, 40% print, is putting nearly 90% of its budget into tv this year, says Kramer. The division's new tv spokeswoman is Tina Turner. Meanwhile, the Chrysler division is heading in the opposite direction, shifting to 70% print, 30% television, to promote its more upscale lines.

Infiniti, the new luxury model from Nissan, is spending more than $60 million in advertising for this rollout year. "Whether the spending goes up depends on competitive pressure," says Dave Hubbard, the national advertising manager. "My personal feeling is that competition will push everyone's spending up."

Fun is a theme among some of the imports or transplants. Toyota's new slogan is, "I love what you do for me." The idea is to be "rational, but emotional too," says national advertising manager David Pelliccioni, who has 32% more to spend on Toyota cars and trucks this year than in 1989.

Honda, whose budget is up 20% to 25%, will be adding several new upmarket magazine titles and spot radio for the first time in several years to promote its new Accord, which will receive about one-third of Honda's advertising outlay.

Prime-time tv continues to be the most desired medium, and the Fox Television Network is signing up carmakers. Dodge, for example, will be a new advertiser on the *It's Gary Shandling*'s show. But cable is also picking up some new business. Cadillac will be advertising on both CNN and FNN, testing an 800 number. The division will also be the primary sponsor of the senior PGA tour on ESPN. Cadillac is also adding some upscale magazine titles to its list, and "we're keeping our eyes open for niche marketing magazines," says the division's advertising director, Peter Levin. ■

CIGARETTES

INDUSTRY 1990 OUTLOOKS

The $35 billion cigarette industry is hardly on fire. There are tighter restrictions on where smokers can light up, a continued regulatory threat to inhibit advertising and fewer smokers as thousands kick the habit.

The number of cigarettes sold domestically declined by 4% last year; torrid international growth slowed to 7%; and once-dramatic profit growth dropped to 10% increases. But dollar sales are up by more than 3% due to price hikes. Last year's 13% jump resulted in the $1.50 pack. Climbing cigarette taxes, which account for one-third of the price, could push that up to $1.75 in 1990.

While the industry smolders, upped ad budgets fuel new options to steal share or support new product.

Cigarette marketers are resorting to three tactics: develop "healthier" low-smoke or reduced nicotine brands; get into price/value brands; and try to steal share from existing brands.

Given this fiercely competitive environment, marketing budgets are forecast to be up by approximately 3% this year. Cigarette manufacturers spent $688 million in the 12-month period ending June 1989, compared with $587 million for the same period a year earlier. Many assumed that Philip Morris and R.J. Reynolds would be forced to cut budgets to service debt, but analysts say that high cigarette profit margins of up to 37% should allow them to pay it off quickly.

As marketers jockey for position, look for increased spending in targeted media. In 1990, RJR is cutting national magazine spending by 25% in favor of targeted and regional advertising like billboards and newspapers. Direct marketing will also benefit, says Bill Moore, senior vice president, marketing, American Tobacco.

by Rebecca Fannin

Most marketers decry heavy promotional budgets, but they're addicted to spending upwards of 60% of budgets on point-of-purchase, couponing and trade spending. Emphasis on generic and discounted brands is accelerating this trend. Also coupon values are rising, some as high as $3 per carton, says Harold Grant, senior vice president, sales and marketing, at the Liggett Group.

Philip Morris is a rarity in this depressed industry. It continues to steal share from competitors as it nears 40% of the domestic market. The macho-based imagery of Marlboro and the new Marlboro menthol deserve a lot of credit. With spending up by more than 18%, Marlboro's share rose from 23% in 1987 to 25% in 1988. And Marlboro is well-positioned for the future. According to financial analyst Emanuel Goldman, Marlboro accounts for about two-thirds of domestic cigarettes sold within the 18-24 age group.

Meanwhile, Philip Morris has pared spending for Virginia Slims while embarking on a major national campaign for Superslims, which recently went national without a test. The brand, aimed at Brown & Williamson's ultra-thin cigarette, Capri, is positioned as the first low-smoke cigarette for women. Analysts predict that Superslims should achieve $125 million in sales, or 0.5% share, in its first full year, making it one of the most successful introductions in a decade. Women now account for half the smoking population. but female-targeted cigarettes only have 4.4% of the total market. The company also is testing a "healthier" smoke, called Next.

Troubled RJR, whose share slipped nearly a full percentage point during 1988 to 32%, is increasing ad budgets for promising low-smoke brands and revitalized existing brands. Flagship brand Winston's ad support dipped 21% in 1988 to $31 million, and its share slid to about 11% after a four-year decline. But ad spending should double in 1990 after a switch to Young & Rubicam from McCann-Erickson. Spending should also be doubled for Camel, which made the same agency switch last summer. RJR has a new $35 million ad campaign for Salem, the third top-selling cigarette, with a 7% share.

In 1989, RJR sent its smokeless Premier back to R&D because of taste and regulatory problems. The company began testing Vantage Excel 100's, a brand that reduces the amount of smoke from the cigarette end. Also in test: Chelsea, which emits a vanilla-like scent.

Price/value cigarettes now account for 11% of volume. New brands include RJR's Magna, Liggett's Pyramid and two brands revived at discounts — Philip Morris' Alpine and B&W's Viceroy. American Tobacco could send prices even lower as it tests a sub-generic brand, Montclair. ■

COMPUTERS & OFFICE EQUIPMENT

INDUSTRY 1990 OUTLOOKS

Given its emphasis on business-to-business marketing — sales calls to office purchasing agents, direct marketing and tactical use of vertical trade magazines — ad spending for computers and office equipment is expected to remain fairly flat in 1990. Some bright spots may emerge, however, as business equipment marketers discover the value of advertising for building their brands among both traditional business users and a slowly emerging consumer market.

Budgets should rise as business suppliers try to develop the consumer market.

by Joe Mandese

IBM, for instance, discovered the value of branding in 1989 and established a division to build greater awareness for its products, particularly its OS-2 personal computer line. Copier and fax manufacturers such as Sharp and Canon, meanwhile, are expected to continue aggressive ad spending to develop a consumer market for a new generation of lower priced units.

But *Today's Office* magazine's annual buying survey indicates that PCs and peripherals will continue to dominate office-equipment purchases. Respondents ranked computers and various computer-related products as the top nine purchases planned for 1990. Tied for tenth were copiers and fax machines. While desktop publishing systems appear to have "peaked" as a driving factor in computer sales, *TO* editor-in-chief Eileen Feretic says specialized, high-tech applications are "getting hot," including presentation management systems (which adapt computer graphics for audio visual presentations); expert systems (artificial intelligence systems designed for specific business applications); and executive information systems.

According to LNA, the top-ten business equipment marketers increased spending by 7.2% to $338.1 million for the 12 months ended June 30, 1989 over the same period the previous year.

Although it actually trails Apple in PC market share (12.4% vs. Apple's 12.8%) according to 1988 Dataquest data, IBM dominates in PC ad spending. For the 12 months ended June 30, 1989, IBM spent a total of $95.6 million on computer advertising, nearly triple that of second-place Apple Computer, which spent $34.2 million over the same period. Apple, however, has dramatically expanded from its original home and education base into business markets.

"We see Apple gaining," notes *TO*'s Feretic. "They had done better in education and the home, but every year we see them gaining ground in the business market. Things like desktop publishing and presentation management are helping to bring them to the fore, because their Macintosh system is well designed for those applications."

According to Apple director of marketing communications Bruce Mowery, the market for PCs will slow from "historical growth rates of 40%-50%" to "something in the magnitude of 10%-15%." He adds, "We are confident that our growth will exceed the category norm." Apple's budget will continue to include a wide mix of media, with particular emphasis on tv. The firm will continue to broaden into more vertical business markets.

Apple's shift from the home to the office appears to be opposite what other business equipment marketers seek as they try to develop a true consumer base around the home office. Fax and copier marketers such as Sharp and Canon have been aggressive in their attempts to create a consumer market for business machines spending $16.5 million and $33.6 million, respectively, on advertising for the 12 months ended June 30, 1989.

This marketing shift will likely translate to increased ad budgets for consumer media like tv and print. "The home-office market is two years out," predicts Ray Boggs, director of the small business market strategy service of BIS CAP. However, strategic changes in pricing, marketing and distribution are shifting the business equipment base from business-to-business to a consumer approach.

Boggs estimates that the "lower end" of the office equipment business has annual sales of $24 billion-$25 billion, with $9 billion of that sold through retailers. This trend toward retail sales is creating a need for more traditional consumer advertising. "It is a function of both product changes and lower prices," he explains. "[The market is] moving away from corporate purchasing decisions, where a knowledgeable buyer buys products for many people, and toward a true consumer purchase decision, where the purchaser is the user." ■

COSMETICS

INDUSTRY OUTLOOKS

Look for both advertising and sales promotion spending to skyrocket as the competition in the $16 billion cosmetics industry heats up. In the first six months of 1989, producers of lip, eye and face color, along with skin-care products and fragrance, spent $342 million on advertising, according to Leading National Advertisers. Spending should escalate in 1990 as Procter & Gamble and Unilever begin to flex their marketing muscles.

Ad spending will

Both made significant acquisitions in 1989. P&G bought Noxell, which makes the popular drugstore lines Cover Girl and Clarion, while Unilever spent $2 billion buying up names such as Elizabeth Arden and Faberge. Unilever is already one of the world's largest advertisers, and this giant's presence along with Procter & Gamble should further ignite the cosmetics category.

increase as industry

"People are going to have to spend more to go against them," says Avon's new marketing head Simon Hemus. But the acquisitions are so recent that it is not yet clear whether their presence will mean a shift from print to television.

giants slug it

The problem is that television is an inefficient buy, hitting many more consumers than the prime cosmetics target — women age 18-35.

out for share.

Overall growth in the industry is expected to stay close to the 4%-5% growth level of the past year. But analysts predict that advertising and promotional spending will increase as bigger companies go after share in a stagnating market.

by Nancy Nichols

In-store promotions of prestige brands should also grow as cosmetics companies try to bolster spending in the sagging department stores. But their difficulties spell bad news for prestige cosmetics, which rely on big department stores as their single distribution source. Sales growth at cosmetic counters in department stores has slowed from about 12% in the mid-1980s to 7%-10% last year. As a result, prestige brands have gradually been losing share to mass marketers.

"The trend towards mass marketing began with color cosmetics in the early '80s, moved into fragrances in the late '80s and will continue into skin care in the 1990s," says Gary Mulloy, the new president of Maybelline.

Skin care is expected to be a hot category as baby boomers age, and unit growth of 4%-5% is expected for next year. In the first half of last year, cosmetics companies spent $121 million to advertise skin-care products (almost half of that in magazines), and that amount should grow as manufacturers put more emphasis on mass-marketed brands. P&G has already brought its mass-market tactics to the segment by offering a cents-off coupon for Oil of Olay in Sunday magazines.

Nail care is another bright spot on the horizon in the overall flat cosmetics industry. Nail-care manufacturers, who spent $25 million in the first half of 1989 to promote this sector, predict "explosive growth" in the 10% range for 1990. Look for the emphasis to be on technological changes. Next year, for example, Avon will introduce Complex 10, a new nail product which features automatic delivery systems.

Industry consultant Alan Mottus predicts the fragrance category will be flat to 2% down in terms of unit sales in the coming year. Women's fragrances have been a declining category in unit shares but, because of price inflation, showed a 3.5% increase last year. Still, new launches will continue, with heavy spending expected for Noxell's new perfume called Navy.

Men's fragrances continues to grow, with at least six new product introductions last year alone. Shearson Lehman analyst Andrew Shore predicts this segment, which has grown by 4% since 1983, will grow by 6%-7% next year. His/her fragrances continue to be the trend, with Avon planning to introduce new his and her fragrances promoted by Billy Dee Williams.

Color cosmetics, which includes lip, cheek and eye color, is another trouble spot in the industry. Consultant Alan Mottus predicts a 2%-3% unit growth. Look for more treatment-oriented make-up products that try to capitalize on the baby boomer's fear of aging.

All in all, advertisers will be spending heavily in an effort to capture market share in a rapidly consolidating market. There have been over 20 mergers in the industry over the last two years, which means fewer advertisers will spend more money as the stakes rise in the '90s. ■

OVER-THE-COUNTER DRUGS

INDUSTRY OUTLOOKS

The near-term outlook for the $11 billion over-the-counter drug market is continued sales growth of 7%-8%. But in the coming decade, the aging of Americans and their growing interest in health care will spur investments as marketers try to reach them with new products and former prescription-only formulations.

"Because the population is getting older, the amount of drug advertising will just continue to grow," predicts Stephen Segal, executive vice president, media director at Lowe Marschalk, the agency for the McNeil Labs division of Johnson & Johnson. In the recent past, however, spending has been more cautious. Total ad spending in the category fell 5% to $1.15 billion in the 12 months ended June 30, 1989, from $1.21 billion in the same period a year earlier, according to Leading National Advertisers. With a $137 million budget, Johnson & Johnson was the leading spender in the category.

While OTC drugs should grow 7%-8% next year, the real growth is a few years away.

Jim Callandrillo, project manager of the pharmaceutical group of Kline & Co., a Fairfield, N.J.-based consulting firm, expects there will be pockets of extensive spending in the near future, however, particularly where former prescription medications enter the market. According to the Nonprescription Drug Manufacturers Association, there are about 50 products with switch potential.

by Brian Bagot

Anticipating this, marketers of current OTC products are gearing up for the switches. This can currently be seen in antacids, where Smith Kline & Beckman Corp. is readying Tagamet, a prescription-only drug, for introduction into the OTC market. In response, Pepto Bismol is being positioned as the overall stomach/nausea remedy, while Maalox marketers are proclaiming that it's as effective as the anticipated new entry.

"Every antacid in the world is posturing itself, spending a lot of money to send a message that it's as good as the product to be launched or trying to distance themselves from it," notes Callandrillo.

Segal says network tv will continue as the dominant medium this year and attributes this to its appeal among the aging consumer population. "The great strength of network television is now among older people," he says.

Print's strength lies in its ability to let OTC drug marketers accurately target consumers and place their ads in books or sections relating to health. But it received just 9% of spending in the July-June 1989 12-month period tracked by LNA, 12% fewer dollars than it got in the previous year.

Jim Guthrie, executive vice president of marketing development for the Magazine Publishers of America, believes there will be a pick-up in print "later in the decade, because there's going to be a lot of educational health and preventive maintenance types of advertising."

This emphasis on education will be important as former prescription products begin to cross the counter. The last flurry of activity was in the late '70s and early '80s, with the most recent big switch being the analgesic ibuprofen.

Outdoor spending was flat in '89 at about $1.5 million. Although there was not much increase, specific categories saw spending go up. Medicated skin-care advertising went to $475,000, up 86% from a year ago, while cold remedies rose 31% to $764,000. Andrea MacDonald, director of marketing services for the Institute of Outdoor Advertising, notes the lackluster overall picture, but expects investments to go up about 3%-4% this year as some drug companies that are not traditional users of outdoor look to the medium.

Despite the potential boon to media spending, switches create a marketing paradox. While the move from prescription to OTC will fuel both market growth and ad spending, the first company to break the product will advertise the entire category since the active ingredients are identical. As Callandrillo explains, "If you tell everybody that this drug ingredient is the best and the greatest, and then you try to tie it to your brand, what happens when the other guy with that same ingredient comes out six months later? You've done a lot of advertising for him already."

Few products have been able to fend off this cannibalization and maintain their lead in the market, but Segal points to Tylenol, which was the first of the acetaminophen products and still holds the lead. ■

FINANCIAL SERVICES

INDUSTRY OUTLOOKS

In the shaky financial services industry, the question is, How bad can things get? Layoffs and cost-cutting still plague the brokerage industry and many S&Ls are "fighting for their lives," says John Keefe, vice president at Drexel Burnham Lambert Inc. As in 1989, they must continue advertising "like crazy to keep business on the books." But budgets won't be up significantly. Leading National Advertisers, in its estimates through mid 1989, reports that banks, brokers, mutual funds, S&Ls and exchanges spent $1.01 billion in nine media in the 12 months ending June 30, 1989, down from $1.03 billion the same period in 1988.

Burdened by competition and cost-cutting pressures, financial services will experiment with non-traditional marketing methods.

Doyle Lyons, analyst with Merrill Lynch & Co., says brokerage advertising "can't be cut back more than it has already" and anticipates dollars being flat to only down slightly. But investment houses and brokers are changing their media mix. Outdoor advertising, for instance, has already seen a great drop in broker advertising, says Andrea MacDonald, director of marketing services for the Institute of Outdoor Advertising. Largely because of the absence of one major brokerage, broker spending in 1989 plummeted to $352,000 from $1.6 million in 1988. Banks, credit unions and tombstone advertising will make up for that drop, however, bringing outdoor advertising by the financial services sector up 5.5% over 1988.

One investment house is keeping its advertising budget fluid to give the merged company's new senior management wide latitude for change. At CS First Boston, marketing director Jack Cowell expects to spend within 25% of last year's $5 million budget, "but it has a large contingency depending on what areas heat up." And the media mix is in for a creative change, due to the international outlook of the new marketing-oriented executives. Traditional ad campaigns may be replaced by public relations and special events like conferences between targets and company specialists.

by Pamela Ellis-Simons

Discounters must advertise aggressively in the face of recession to retain volume. Charles Schwab & Company's ad budget, for instance, will increase in 1990, says Emile Pragoff, director of advertising. Spot tv will rise as Schwab experiments with buying other than the top ten markets. Radio, at 5% of his budget, will get a modest boost. Print, at 35% of the budget, will expand, and due to a shakeout in investment books, Pragoff will increase buys in the tried and true: *WSJ*, *Barrons*, *Money* and *Investors Daily*. Cable tv, Pragoff's backbone, will stay constant.

A year of natural disasters and continuing price wars hurt insurance companies' earnings again in 1989, says Udayan Ghose, insurance analyst with Shearson Lehman Hutton. But 1990 might usher in a period of recovery where companies can afford to raise ad budgets. Both Aetna Life and New York Life will continue aggressive advertising stances begun last year. Aetna's 1990 budget will inch up a bit beyond last year's $15 million, says Christine Farley, assistant vice president of advertising. Last July the company began consistent spot, cable and print media exposure after several years of sponsoring network specials. The media mix favors spot at two-thirds of the budget, with cable and print sharing the remainder.

New York Life jumped back into the print and television markets last quarter after a long agency review and a switch to Chiat/Day/Mojo. The media for its corporate campaign ads has expanded greatly, says Linda Staniar, vice president of advertising. Print, however, will come down from the company's historical 15% share as New York Life focuses on cable.

In the relatively healthy banking world, Manufacturers Hanover Trust Co. will increase its ad budget only in line with inflation, says Paul Incarnato, corporate advertising director. The media mix, skewing heavily towards print, won't change. "I don't see anything happening in 1990 to cause banks to spend significantly more than in 1989," he says. "But there will be no cuts. We have to maintain a certain prominence in the marketplace."

Credit-card companies will feel the same pressure to continue advertising in the face of weak buying power. "Especially going into a recession, they must spend pretty heavily to keep up volume," says Drexel's Keefe. "Credit cards in general are very competitive." ■

PREPARED FOODS

INDUSTRY OUTLOOKS

Consumer lifestyles that dictate quality, health and convenience have put some spice into the food business. Frozen foods are taking the heat as refrigerated dishes offer more appetizing options; cereals maintain consumer interest with health claims; and new products aim for regional appeal. Microwave products, however, continue to be held back by problems with packaging and formulations that leave consumers cold.

Promotion dominates, And dry items like canned goods, bakery mixes and canned soup are caught in a battle among themselves for share and shelf space. The result: 1990 ad increases may outpace sales promotion.

but advertising may regain The 15 leading marketers of the $107.1 billion prepared-food industry, which includes dry groceries and frozen and refrigerated foods, had media expenditures totalling $1.1 billion during the 12 months ended June 30, 1989, according to LNA. That was

some ground as prepared- 33% of the total marketing mix, estimates Landon Associates, a newspaper sales firm. Making up the remaining 67% was promotion, split 28% consumer and 39% trade, Landon notes.

foods marketers push Gary Stibel, principal of New England Consulting Group, a Westport, Conn.-based marketing management company, says the pendulum has swung about as far in the direction of promotion as it can. "It's going to stay high for the next few years and then

product advantages. begin to decline," he predicts. Landon, in its forecast, notes that Procter & Gamble has already reduced its promotion spending to create a better balance with its ad efforts.

by Brian Bagot

Stibel sees equity enhancement budgets, which include advertising and items like packaging, going up about 10% next year, with about 6% compensating for inflation and 4% real dollars in 1990. Looking at all other promotion programs, including trade and non-equity enhancing promotions, the increase, according to Stibel, will be about 6%-7%, with most of it making up inflation.

With regionalization expected to become entrenched further into the '90s, localized media will gain added importance. Consultant Dan Swander, of San Francisco-based Swander, Pace & Co., says, "You'll see more regional spending, because they're going into underdeveloped or high-share markets to fix a problem or hold share. You'll see more fragmentation away from pure network tv, the category's medium of choice, to spot, cable and in-store." He also expects to see more co-op advertising. "They've replaced the national umbrella-type media coverage with the peculiarities of local-market purchases," explains Miller.

"Print allows food companies to be far more targeted in the audience they reach, and we've seen just an explosion in print use which will continue this year," says Bill Hale, president of The Hale Group, Denver. Looking at fresh prepared foods, Hale thinks that over the next five years most of the concentration in print will be regional, but the major brands like Kellogg, Quaker Oats and Heinz will continue to place an emphasis on national magazines.

Magazine expenditures in the industry rose 19.6% to $93.4 million in the 12 months ended June 30, 1989. Most of the advertising, according to industry watchers, is expected to focus on new products, with trade and consumer promotions carrying the existing business.

Stibel thinks the 1990's advertising pitches "will be focused more on product performance and substantive differences rather than pure imagery."

One trend that will dominate is the blurring of lines between advertising and promotion. Major marketers such as Campbell, Hershey and Borden are going to be testing more integrated programs in an effort to get more image out of the promotions and more promotions out of their advertising. Non-media sponsorships such as sports events, festivals and charity events are one way the biggies will tackle the new challenge, Landon notes in its 1990 forecast.

Most of those queried believe that the $15.1 million frozen-foods category, which has been experiencing only 3.5%-5% annual growth, is going to find it tough going unless they have a clear positioning such as Weight Watchers and Lean Cuisine. "The trend is fresh, perishable prepared-food items growing and the incredibly shrinking middle where the staple, dry-grocery part of the store is not holding its share of space," says Swander. ■

TRAVEL

INDUSTRY OUTLOOKS

The fast-paced travel industry is slowing down, and so are double-digit spending increases.

by Pamela Ellis-Simons

The travel industry has been zooming along for several years, but 1990 could be the year that the softening U.S. economy puts on the brakes. Airlines, cruise lines, railroads, car rentals, hotels and tourism bureaus spent $1.9 billion in the year ending 1989, up a robust 12% from the same period in 1988, according to Leading National Advertisers. Ad expenditures should rise in 1990, but they won't go up at such a breathtaking pace.

"I think some areas will run out of steam," warns Robert Coen, director of forecasting at McCann-Erickson New York. "Although ad expenditures have been pretty strong, it's tough to have gains on top of gains."

Most likely to see declines: outdoor advertising. Andrea MacDonald, director of marketing services at the Institute of Outdoor Advertising, says outdoor travel spending has been flat the last several years, with travel agent and tour advertising the strongest component.

The slowing economy may affect most airline spending. "My gut feeling is that we'll see a lower advertising growth rate in 1990 than in 1989," says First Boston Corp. analyst Paul Karos. He sees a squeeze on profits due to increases in capacity, a sluggish economy and an increasing labor and maintenance cost environment.

American Airlines says its ad spending and media mix will be unchanged as it pursues the leisure traveler. "But this industry is so competitive, that could change in two weeks," says a spokesperson. In fact, if fare wars break out, the carriers may have to increase budgets to promote them.

Alaska Airlines' ad budget will only increase in pace with media inflation, says Jeff Pinneo, director of advertising. Pinneo's media mix will include a slightly higher use of magazines for image advertising and a small shift towards spot tv at the expense of regional network feeds. As vacation tour products grow, he will increase newspaper and radio buys.

In the booming cruise line industry, advertising may take a backseat to support material as the industry launches a record ten ships. Carnival Cruise Lines' three new ships, for instance, "will mean a humongous expense in brochures," says Karine Armstrong, vice president of marketing for the industry giant. Ad budgets will increase only for inflation, and the redeployment of Carnival's fleet may mean more local newspaper ads.

Holland America Cruises, recently acquired by Carnival, will only increase its budget in line with inflation, says Rich Skinner, director of public relations. It will drop its network spots as it concentrates on cable networks like ESPN, Lifetime, USA Network and Arts & Entertainment. "Cable works just as well for us, and economy-wise, it is too expensive and too much a shotgun approach to do network spots," says Skinner. Newspaper and magazine ads will increase slightly over 1989.

Natural disasters last year caused some trouble for the cruise industry, which hopefully won't be repeated. Hurricane Hugo prompted Caribbean lines to substitute St. Thomas or other islands for hard-hit St. Croix, with some advertising changes. Holland America launched separate direct marketing and PR campaigns to offset travel hesitancy caused by the Exxon oil tanker spill in Alaska.

Merrill Lynch analyst William Trainer estimates that room demand in the hotel/motel segment will flatten in 1990, based on poor corporate profits. But Hilton Hotel Corp. is prepared to win share by increasing its budget in the first aggressive advertising push in years, says Hunter Phillips, director of advertising. New image ads will join an ongoing promotional retail campaign, boosting spot and cable tv buys significantly. And print budgets will rise thanks to a major co-op advertising program with individual hotels that target resort, leisure or convention travel.

Club Med, trying to broaden its clientele with the same $12 million ad budget, will increase tv and newspapers and decrease consumer print and outdoor.

Newspapers, cinemas and tv will get a $5.5 million boost from the first-ever national ski industry ad campaign for the '89-'90 season. "A lot of regional and local efforts by regional ski associations should double or triple that figure," says Mike Leonhardt, senior vice president and account director for the United Ski Industries Association at D'Arcy Masius Benton & Bowles, Chicago. ■